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No. 97-1177

In The Supreme Court of the United States October Term, 1997

E. J. COMPANY, VIRA HAYES,
AND
ROBERT HAYES,

Petitioners,

v.

SANDVIK AKTIEBOLAG,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

Petitioners have asked this Court to determine whether any patentee should be permitted to extend its patent monopoly to an unpatented part of a patented combination. Petitioners submit that this is the inescapable result of the Federal Circuit's new test for determining what constitutes permissible repair or impermissible reconstruction. In response, Respondent improperly reframes the issues, distorts the facts and mischaracterizes the petition as a "skewed and piecemeal attack" on the Federal Circuit's analysis. This attack on the Petition notwithstanding, the Federal Circuit's new test is contrary to this Court's test in Aro I and will result in uncertainty in the law in nearly all repair industries.

I. THIS CASE PRESENTS ISSUES OF NATIONAL IMPORTANCE REGARDING THE PROPER TEST FOR DETERMINING THE ISSUE OF REPAIR VS. RECONSTRUCTION.

In its response, Respondent makes light of the national significance of the issues presented in this petition and denies that the Federal Circuit's decision will have any consequence. Indeed, Respondent suggests that this petition is "much ado about nothing." Respondent's Brief in Opposition, ("Opposition"), p. 10. While Respondent may choose to ignore the precedential impact of this ruling, it is clear that the Federal Circuit considers that its ruling adds significantly to the body of law. Pursuant to Federal Circuit Rule 47.6(b), had the panel not considered that its ruling added significantly to the body of law, the opinion could have been designated as not citable as precedent. As pointed out by the Amicus, Tool Crib, in its Brief, there is now great uncertainty in the tool industry as to what activities are permissible.

Every business which either uses patented goods that are subject to repair and every business which offers repair services to patented goods must take notice of this opinion. This Court in Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961) acknowledged that:

> it is "the use of the whole" of the combination which a purchaser buys, and that repair or replacement of the worn-out, damaged or destroyed part is but an exercise of the right "to give duration to that which he owns, or has a right to use as a whole." Ibid.

365 U.S. at 342-43, 128 USPQ at 358. However, under the new test adopted by the Federal Circuit, the right of the

purchaser to give duration to that which he owns is now subject to factors "**not properly determinative of the question of permissible repair *versus* forbidden reconstruction**". 365 U.S. at 343-44 (Emphasis added). Thus, under the Federal Circuit's ruling a purchaser of a Sandvik drill must purchase a new drill, at greater cost, rather than repairing a drill with a damaged tip and thus "restoring the use of the whole" of the patented drill. And, this is true whether the drill was damaged through repeated use or through simply being dropped.

In an attempt to downplay the significance of the Federal Circuit's ruling in this case, Respondent asserts that the Federal Circuit merely followed Aro I and based its conclusions on "the facts in this case". Opposition p. 10. However, the Federal Circuit's conclusions were based on factors that it deemed issue dispositive. And, these factors will be deemed issue dispositive in future repair cases if this ruling is allowed to stand.

II. THE FEDERAL CIRCUIT HAS ADOPTED A NEW TEST THAT IS IN DIRECT CONFLICT WITH THIS COURT'S PRECEDENT.

Respondent also argues that the Federal Circuit has not created a new test. In this regard, Respondent asserts that

> The decision below is plainly a proper application of settled law, and there is no conflict with this Court's precedent. In attempting to curry review, the petition portrays the Federal Circuit's opinion as overlooking this Court's precedent and creating a new test. This portrayal is flatly contrary to the opinion itself and distorts the underlying analysis.

Opposition p. 4. Faced with the reality that the Federal Circuit has indeed enunciated a number of factors that are to be issue dispositive, Respondent asserts that the "Federal Circuit merely sought to confirm that there was [sic] no additional facts or circumstances that would support a contrary conclusion of permissible repair. Opposition p. 7. However, Respondent's characterization of the Federal Circuit's opinion in this fashion ignores the plain language of the opinion. In this regard, the Federal Circuit stated:

> **There are a number of factors to consider in determining whether a defendant has made a new article**, after the device has become spent, including the nature of the actions by the defendant, the nature of the device and how it is designed (namely, whether one of the components of the patented combination has a shorter useful life than the whole), whether a market has developed to manufacture or service the part at issue and objective evidence of the intent of the patentee. (emphasis added)

[App. 6a]. And, as the petition points out, while these factors can at times provide *evidence* that certain activity constitutes permissive repair, this Court has stated that they are not dispositive of whether a new article has, in fact, been made:

> The distilled essence of the Wilson case was stated by Judge Learned Hand in United States v. Aluminum Co. of America, 148 F.2d 416, 425, 65 USPQ 6, 15-16 (C.A. 2d Cir.): "The [patent] monopolist cannot prevent those to whom he sells from * * * **reconditioning** articles worn by use, unless, they in fact make a new article." **Instead of applying this plain**

> **and practical test, the courts below focused attention on operative facts not properly determinative of the question of permissible repair *versus* forbidden reconstruction. The Court of Appeals found that the fabric "is not** a minor or relatively inexpensive component" of the patented combination, or **an element that would expectedly wear out after a very short period of use—although its "expectable life span" is shorter than that of the other components—and**, for these reasons, concluded that "an owner would [not] rationally believe that * * * he was making only a minor repair" in replacing the worn-out fabric, but that instead, the replacement "would be counted as a major reconstruction." **We think that test was erroneous**.

365 U. S. at 343-44 (Emphasis added). Contrariwise, the Federal Circuit stated that its factors were dispositive of the question of what constitutes permissible repair.

For instance, both Respondent and the Federal Circuit place great emphasis on the steps necessary to remove the damaged tip and repair a damaged drill. The Federal Circuit even stated that Petitioner has to "break the worn ... tip from the shank" [App. 6a]. However, replacement parts must be manufactured and/or formed at some point. Certainly, the replacement tops in Aro I required a "first creation" of the top's geometry on a "primitive" piece of fabric "that never even bore the suggestion" of the convertible top embodied in the patent-in-suit in Aro I. This Court recognized this and stated that:

> No element, not itself separately patented, that constitutes one of the **elements** of a combination

> patent is entitled to patent monopoly, however essential it may be to the patented combination and **no matter how costly or difficult replacement may be**. (emphasis added)

365 U.S. 345.

Further, much is made of Petitioner's alleged "admission" arguing that the drills are spent unless retipped. See Opposition pp. 2, 5. This same argument was made to the District Court and the District Court concluded as follows:

> This argument is without merit. ... Certainly, one would maintain that a workable convertible top fabric is necessary to the proper functioning of a convertible top as a whole. Nonetheless, the Court in Aro I held that replacement of that convertible top fabric constitutes permissible repair of a part rather than impermissible reconstruction. Likewise, in the present case, simply because the carbide tip is essential to the proper functioning of the drill does not mean that replacement of that tip amounts to impermissible reconstruction.

[Ap. 21a - 22a] Indeed, Respondent's argument and the Federal Circuit's analysis ignores Aro I wherein this Court stated that "the entity 'exists' notwithstanding the fact that destruction or impairment of one of its elements renders it inoperable; and that, accordingly, replacement of that worn-out essential part is permissible restoration of the machine to the original use for which it was bought." Aro I, 365 U.S. at 342-43, 128 USPQ at 358. Petitioner respectfully submits that just as the test applied by the Court of Appeals in Aro I was erroneous, the test applied by the Federal Circuit in this case is erroneous, contrary to Aro

I and will unsettle this area of the law after more than thirty years of certainty.

III. IT IS RESPONDENT THAT HAS DISTORTED THE FACTS.

In opposing this petition, Respondent argues that the Federal Circuit correctly applied the law to certain allegedly undisputed facts. Petitioner respectfully submits that the test espoused by the Federal Circuit is erroneous and that any dispute as to the underlying facts is untimely and is properly a question for the trier of fact upon remand. However, in view of the spirit of Supreme Court Rule 15.2, the following factual disputes are noted. In numerous instances, Respondent alleges that no one other than Petitioner retips Respondent's patented drills. This assertion is inconsistent with the facts contained in the Amicus Brief. More importantly, the assertion is inconsistent with the record. In this regard, as stated in the Petition, Mr. Tony Yakamavich was the person designated by Respondent under FRCP 30(b)(6) to testify on its behalf on the "repair vs. reconstruction" issue. Mr. Yakamavich testified that he was aware that retipping was a common industry practice and then testified as follows:

> Q. Okay. Have you ever seen advertisements by companies indicating that they would retip Sandvik drills, other than E. J. Company?
>
> A. Specifically Coromant Delta drills?
>
> Q. Any Sandvik drills.
>
> A. Yes.
>
> Q. Have you investigated to see whether or not they specifically retipped drills that are covered by the patents in suit?

A. There is no relativity to that due to the product.

Q. I don't understand that.

A. You specified drills primarily. There are various types of drills. The patent is regarding the Coromant Delta drill, no other drills.

Q. Have you investigated these other companies that advertise retipping services to see if they are retipping those specific drills that are covered by the patents?

A. No, sir.

Q. The only one you've investigated is E. J. Company?

A. That's correct.

Q. If there was an investigation that you were unaware of -- or could there be an investigation that you are unaware of?

A. No.

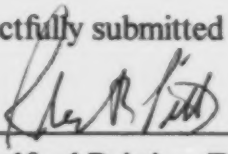
In light of Mr. Yakamavich's testimony that Respondent had not investigated other companies that it knew offered retipping services, Respondent's representation to this Court that Petitioner, E.J. Co., is the only retipper of Respondent's patented drills is entirely inappropriate. Further, Respondent's assertions regarding the lack of an industry, and the Federal Circuit's reliance on any alleged absence of an industry are contrary to, and refuted by, the assertions of the Amicus in the Amicus Brief submitted in support of this petition.

CONCLUSION

This is not a case in which the Petitioners are reconstructing discarded drills and selling the reconstructed drills to new owners. Petitioners repair drills at the request of the owners of the drills in order to give meaning to the owner's right to use the drill for its useful life and "to give duration to that which he owns, or has a right to use as a whole." In the case at bar, the District Court applied the well settled law as set forth in Aro I to the uncontroverted facts regarding Petitioners' activities and the uncontroverted fact that Petitioners only performed these activities on behalf of owner's of Respondent's drills and correctly concluded that Petitioners' activities constituted permissible repair. In Aro I, this Court held that the plain and practical test is whether a new article has been made, and that it is improper to focus on factors, such as the life span of the individual unpatented parts. Notwithstanding the fact that this area of patent law has been well settled for over three decades, the Federal Circuit, apparently dissatisfied with this Court's "expansive view of conduct that constitutes permissible repair", sought to narrow the range of permissible conduct. In so doing, the Federal Circuit, in a precedential holding, fashioned a test that focuses and relies on factors such as the life span of the individual unpatented parts, and incorrectly concluded that Petitioners' activities constituted impermissible reconstruction. As a result, this new Federal Circuit test abrogates the purchaser's right "to give duration to that which he owns, or has the right to use as a whole" and will give rise to uncertainty in nearly all repair industries as to what constitutes permissible repair. This uncertainty is evidenced and articulated in the Amicus Brief of Tool Crib in support of this petition. In view of the national impact of the Federal Circuit's new test and the far reaching economic impact it will have, Petitioners

respectfully urge the Court to grant this petition, and review the Federal Circuit's ruling in the present case.

Respectfully submitted



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